



For Active
Members, Employers
and
Legislators

Montana Public Employee Retirement Administration (MPERA)

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*Should any information in this
newsletter conflict with statute or
rules, the statute or rules will apply.*

2007 Legislative Session What May Be In Store?

Every legislative session, numerous bills are introduced (or rumored to be introduced) that affect the retirement systems administered by the Montana Public Employees' Retirement Board (Board) and the Montana Public Employee Retirement Administration (MPERA). This 2007 Legislative Session will be no different. The purpose of this newsletter is to inform our members and employers of the bills proposed by the Board and some of the retirement bills proposed by other parties.

Circumstances change frequently and rapidly throughout the course of any legislative session. This means that it's never over until it's over. Current proposed bills may or may not become law. Regardless, the Board and MPERA will monitor and assess all proposed bills affecting retirement and work to safeguard and maintain or improve your retirement plans and futures.

Anyone interested in tracking retirement-related bills or taking an active role advocating for retirement issues may want to visit [http://laws.leg.mt.gov/pls/laws07/law0203w\\$.startup](http://laws.leg.mt.gov/pls/laws07/law0203w$.startup). ■

YOUR RETIREMENT BENEFITS ARE A PROTECTED CONTRACT RIGHT.
PROPOSED BENEFIT CHANGES WILL BE FOR NEW MEMBERS ONLY.

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PROPOSED BILLS IMPACT - PUBLIC EMPLOYERS

Retirement issues will once again share center stage with education and the budget when the 2007 Legislature convenes. The Board recognizes that retirement issues are important to public employers. Retirement issues affect your budget, your taxpayers, and your employees' morale and well-being. The struggle between fiscal soundness and employee morale is constant.

The Board's duties and responsibilities may appear contrary to the interests of public employers. After all, Montana's Constitution requires that the Board operate its retirement systems as fiduciaries acting on behalf of all system members and beneficiaries. This means that the Board must act in the best interest of the members, and no one else. However, our issues are not mutually exclusive.

As fiscally responsible public employers, you will weigh the competing retirement bills with your "bottom line" in mind. When doing so, however, don't forget that a two tier retirement system could ultimately cause tension between your experienced employees and your new employees. The repercussions could impact your bottom line. Turn-over, increased absences, and stress-related health concerns are expensive. Only you know whether the modest contribution increases proposed by the Board are more of a burden than possible workplace turmoil.

The Board encourages you to closely review the various bills offered to address the unfunded actuarial liability of our systems. Then contact us, your legislators or the Governor's office with your ideas and concerns.■

PROPOSED BILLS IMPACT - DEFINED BENEFIT MEMBERS

Montana's Constitution tasks the Board with running your retirement system as fiduciaries acting on behalf of all system members and your beneficiaries. As fiduciaries, Board members must act in your best interest and no one else. This duty can conflict with the duties and responsibilities of other public entities, particularly those who answer to employers and taxpayers.

This conflict could result in an interesting legislative session. Montana law requires the Board to constantly review retirement benefits and to recommend to the legislature changes necessary to maintain a stable standard of living. The Board must also maintain the actuarial (fiscal) soundness of the retirement systems.

In 2001 the Board and Legislature decided an increase in the guaranteed annual benefit adjustment (GABA) would improve our retirees' standard of living. An increase from 1.5% to 3.0% addressed cost of living increases without hurting the actuarial soundness of the systems. Then came the stock market crisis of 2001-02. The systems are still recovering from a significant hit to their investments.

**Current members
will not be affected
by proposed
legislation to reduce
the GABA.**

This year the Board is proposing legislation to address the systems' financial status without impacting future members' retirement benefits – and for the Public Employees' Retirement System (PERS), the Sheriffs' Retirement System (SRS), and the Game Wardens' and Peace Officers' Retirement System (GWPORS), modest increases to employer contributions. Others, including the Office of Budget and Program Planning (OBPP) and some legislators, will propose legislation to reduce the GABA for **FUTURE** retirement system members. **Current members will not be affected.**

The proposed reduction in GABA to 1.5% **for system-covered employees hired on or after July 1, 2007**, will reduce our GABA to that of the Teachers' Retirement System (TRS). This may seem equitable, until other aspects of the systems are compared.

The Board encourages our members to review the various retirement proposals. Then decide for yourselves which alternative will best meet the future needs of your workplace. If you have opinions or concerns on any of the bills, let your legislators know!■

RETIREMENT BILLS OFFER FUNDING OPTIONS

As of the time this publication went to print, the Public Employees' Retirement Board (Board), the Teachers' Retirement Board (TRB) and the Office of Budget and Program Planning (OBPP) each had submitted proposed retirement funding bills to the Legislature. The bills address the unfunded actuarial liability of the systems in different ways. The options in the various bills will appeal to different individuals, depending on their circumstance.

LC0285 – Proposed by the Public Employees' Retirement Board

The Board is constitutionally required to maintain the retirement systems on an actuarially sound basis. To meet this mandate the Board proposes to resolve the remaining unfunded liability in the Public Employees' Retirement System (PERS), the Sheriffs' Retirement System (SRS), and the Game Wardens' and Peace Officers' Retirement System (GWPORS) by increasing contributions paid by the employer into each system. Retirement benefits paid to members of those systems would not change.

Proposed Increase in Employer Contributions			
SYSTEM	FY08	FY10	TOTAL
PERS	0.56%	0.57%	1.13%
SRS	1.03%	1.02%	2.05%
GWPORS	0.04%	0.00%	0.04%

Increased employer contributions are not needed for Judges' Retirement System (JRS), Highway Patrol Officers' Retirement System (HPORS), Municipal Police Officers' Retirement System (MPORS) and Firefighters' Retirement System (FURS).

LC0288 – Proposed by the Teachers' Retirement Board

The TRB, with the support of the OBPP, proposes to increase employer contributions by 2% beginning FY08 and by an additional 0.38% beginning FY10, for a total increase of 2.38%. In addition, TRB's proposed legislation includes a \$100 million cash infusion. These increases will be paid with general fund dollars and are in addition to the \$100 million given TRS in the FY05 Special Session.

The TRB is also proposing to tighten benefits for employees hired on or after July 1, 2007 by (1) changing the definition of full time employment and (2) increasing the kinds of remuneration which will count against the maximum compensation a retired teacher can earn.

LC0908 – Proposed by the Office of Budget and Program Planning

The OBPP's bill proposes to address our systems' unfunded liability through a combination of increases in employer contributions and reductions in benefits paid to members hired on or after July 1, 2007.

- The legislation proposes to reduce the 3% guaranteed annual benefit adjustment (GABA) to 1.5% for all MPERA-administered retirement systems. This is the same GABA currently available to TRS members.
- The proposed reduction in the GABA results in an employer contribution increase of 0.27% for PERS, 0.58% for SRS, and 0.00% for GWPORS.■

ALL eligible employees, regardless of retirement system, hired after July 1, 2007, will have a GABA of 1.5%.

Further Information . . .

If you want more information on any legislation, access the Legislative Service's web site at:

<http://www.leg.mt.gov/css/default.asp>

DEFINED CONTRIBUTION RETIREMENT PLAN LOAN - LC0286

Montana's Constitution tasks the Board with running your retirement system as fiduciaries acting on behalf of all system members and your beneficiaries. The Board is proposing LC0286 which requests funding to repay the loan for the Defined Contribution Retirement Plan (DCRP) implementation costs. The initial 1999 legislation which created the DCRP did not provide implementation funding, so the Board obtained a loan for these expenses. The loan is being repaid through a **portion** of the annual administrative fee assessed to all DCRP participants.

The Board has always believed:

- 1) that a new program should not be mandated without a funding mechanism; and
- 2) expecting current DCRP participants to cover **initial** implementation costs is unfair and inequitable.

Consequently, the Board is asking the 2007 Legislature to provide necessary funding to repay the loan. If the Legislature provides funding, DCRP participants **may** benefit through lower administrative costs.

NOTE: DCRP participants experienced a significant decrease in administrative costs (33%) this fiscal year.■

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1992, ALTERNATIVE
ACCESSIBLE FORMATS OF THIS DOCUMENT WILL BE PROVIDED UPON REQUEST.